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How Trump’s Oily Dreams May Collapse in a Venezuelan Dark Pit

The current geopolitical landscape regarding Venezuelan oil is significantly more complex than the incoming Trump administration appears to realize. The strategies being proposed by the Trump 2.0 team involve a series of aggressive demands and economic assumptions that may not align with the technical and financial realities on the ground.

The Imperial Mandates and Immediate Threats

The administration has issued what amounts to a series of edicts directed at interim President Delcy Rodriguez. These demands include a total crackdown on drug trafficking flows, which critics argue should instead be directed toward Colombian and Mexican smugglers working with American buyers. Additionally, the U.S. is demanding the expulsion of Iranian, Cuban, and other operatives deemed hostile to Washington before Caracas is permitted to increase its oil production. Finally, the administration insists that Venezuela halt all oil sales to U.S. adversaries.

Because the interim government is unlikely to accept these terms, there is a high probability of renewed military or kinetic pressure against Venezuela. Homeland Security Advisor Stephen Miller has already indicated that the United States is utilizing military threats to maintain its influence over the region.

The Economic and Technical Reality of Oil Production

The administration’s plan to overhaul the Venezuelan oil industry relies on subsidies and a belief that the sector can be restored quickly. While some officials suggest this could take less than 18 months, industry insiders and analysts offer a much grimmer timeline. According to a Rystad Energy Analysis, it would take at least 16 years and a minimum investment of $183 billion for Venezuela to reach a production level of just 3 million barrels of oil per day.

Furthermore, American energy majors are hesitant to invest the necessary fortunes into a nation that could face total chaos if a puppet government is forced upon the population. The administration's ultimate goal is to drive global oil prices down to $50 a barrel by seizing control of PDVSA, the state-run oil company, and managing the acquisition and sale of its entire production.

The Strategy of Forced Marketing

U.S. Energy Secretary Chris Wright has outlined a plan to market Venezuelan crude directly. This strategy involves first selling off approximately 50 million barrels of backed-up, stored oil, followed by the indefinite sale of all future production into the global marketplace. The revenue from these sales would theoretically be deposited into U.S.-controlled offshore accounts, ostensibly to benefit the Venezuelan people. However, the interim government views this as de facto theft, and it is unlikely to be accepted without significant conflict.

The Role of China and Systemic Global Risk

Contrary to some assumptions, China is not heavily dependent on Venezuelan oil, which accounts for only a small fraction of its total imports. Beijing is already moving to replace Venezuelan crude with imports from Iran, Russia, and Saudi Arabia. However, the relationship between China and Venezuela is deeply structural and financial rather than merely transactional.

The challenges of removing Chinese influence include:

- **Financial Contagion: Chinese oil agreements are binding financial contracts with complex collateral structures and derivative linkages tied to Wall Street. Breaking these contracts could trigger a cascade of defaults, legal disputes, and a systemic global confidence shock.**
- **Technical Integration: Over the last two decades, China has built the operational core of Venezuela's oil industry. They provided the refinery technology, software, heavy crude upgrading systems, and maintenance supply chains.**
- **Infrastructure: Without Chinese engineers and technicians who understand the specific control logic of the infrastructure, the industry would become an inert, non-functioning shell.**

Converting the Venezuelan oil sector from a Chinese-built system to an American one would take a minimum of three to five years.

Technical Barriers: Superheavy Oil and Diluents

Venezuela's oil is "superheavy" and possesses a consistency similar to tar. It must be melted to reach the surface, and once extracted, it hardens quickly. To transport it, Venezuela must import 0.3 barrels of diluent for every barrel of oil it exports. This technical requirement, combined with an infrastructure shaped by China and weakened by years of U.S. sanctions, makes the administration's current oil strategy appear fundamentally flawed.

The Financial Interests Involved

While the long-term strategy faces these hurdles, short-term financial interests are already moving to capitalize on the situation. Hedge fund managers and donors, such as Paul Singer, have acquired major assets like the Houston-based subsidiary of CITGO at a fraction of its market value due to existing embargoes. The speculative market is also preparing to profit from over $170 billion in debt, including more than $60 billion in defaulted PDVSA bonds.

Ultimately, the "Big Oil Picture" in Venezuela is a minefield of technical, legal, and geopolitical complications. Attempts by U.S. officials to abruptly cut off the flow of oil to markets like Shanghai may result in significant legal and economic blowback rather than the intended imperial control.

Analogy for Understanding

Attempting to flip Venezuela's oil industry from Chinese to American control is like trying to change the engine of a car while it's moving at high speed, only to find that the new engine uses a different fuel, the tools to fix it are owned by a rival, and the car's title is tied up in a thousand different lawsuits. Success requires more than just a new driver; it requires rebuilding the entire machine from the ground up.